

HAYS PUBLIC LIBRARY

Primary Government Financial Statements
With Independent Auditors' Report

For the Year Ended December 31, 2012

HAYS PUBLIC LIBRARY
Primary Government Financial Statements With Independent Auditors' Report
For the Year Ended December 31, 2012

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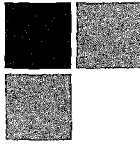
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Certified
Public
Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Hays Public Library
Hays, Kansas

Report on the Financial Statements

We have audited the accompanying primary government financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Hays Public Library**, component unit of City of Hays, Kansas, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

The financial statements do not include financial data for the Library's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the Library's primary government unless the Library also issues financial statements for the financial reporting entity that include the financial data for its

component unit. The Library has not issued such reporting entity financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component unit would have been reported as \$152,353.

The financial statements do not include the required annual cost and long-term obligations of the Library's Other Postemployment Benefits as required by Governmental Auditing Standards Board Statements Number 43 and Number 45. Accounting principles generally accepted in the United States of America require the financial data for these Other Postemployment Benefits be reported in the primary government financial statements. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities and net assets of the primary government financial statements are not reasonably determinable and are presumed to be material.

Opinions

In our opinion, because of the departures mentioned in the two preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component unit and the Other Postemployment Benefits of **Hays Public Library**, as of December 31, 2012, or the changes in financial position thereof for the year then ended.

In addition, in our opinion, except for the effects listed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of **Hays Public Library**, as of December 31, 2012, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and 21 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **Hays Public Library's** basic financial statements. The introductory section and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial

statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Adams, Brown, Beran & Ball
ADAMS, BROWN, BERAN & BALL, CHTD.
Certified Public Accountants

April 09, 2013

HAYS PUBLIC LIBRARY

Management's Discussion and Analysis

The discussion and analysis of **Hays Public Library's** financial performance provides an overview of the Library's financial activities for the year ended December 31, 2012. Please read in conjunction with the Library's financial statements, which begin after this report.

FINANCIAL HIGHLIGHTS

During the course of the year, there were several policy changes that were put into place with the intent of improving patron services. The most visible and impacting change was the public use of the Schmidt Gallery on the main floor of the Library. The previous policy about how the gallery space was to be used by the public was subjective and ambiguous at best. The new policy follows proper use of public space by setting guidelines for the manner of use and time limitations. The general intent of only allowing meetings and programs that are free and open to the public was maintained while opening the space for more general use.

Another policy change allows employees to share sick leave hours with other employees who have a medical emergency but do not have enough sick leave or vacation hours to cover the time needed. This prevents an employee from being forced into taking an unpaid leave of absence and will be handled on a case by case situation by the Director while maintaining the privacy of the employee.

We also added a community service policy that requires those wishing to fulfill their community service requirements at the Library to submit a written request. On that written request, we ask why they need community service hours. In order to be proactive in the welfare and safety of the staff, we reserve the right to refuse hours to those prosecuted of violence and only allow service hours to be performed during weekday hours of operation.

Though not proper policy changes, we have continued to fine tune our operation procedurals in hopes of increasing efficiency and continue to put steps in place that protect our employees from the risk of being wrongly accused of mishandling money or Library resources.

We have separated the tasks of ordering and receiving Library materials. Having one employee place the order for materials and another check the materials in by signing off on the invoice helps prevent instances or the accusation of fraud.

Another change is that we no longer allow employees to refund patron bills from the cash box. There is a procedure in place that requires receipts to be written to a patron who pays a replacement bill. If a refund is required in the future, it must be made by a supervisor who verifies our internal receipt along with the bill generated by our catalog. Also, the cash box is no longer used to draw petty cash for purchases unless a credit card cannot be used for that purchase. In such cases, this is done only by the Director.

Speaking of the credit card, we have limited the use of the credit card so that online purchases are only made on the computers of the Director or the finance administrator. This helps prevent the card information from being saved on various and multiple computers throughout the Library. The credit card is not allowed to leave the Library without prior knowledge by the Director.

As always, we are continuing to look for ways to cut down on the amount of paper used throughout the Library. Moving to a more paper-less work environment not only impacts money spent on paper and ink but also enhances efficiency as it is much easier to search a computer for a file than to search a cabinet for a particular piece of paper.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and Statement of Activities on pages 8 through 9 provide information about the activities of the Library as a whole and present a longer-term view to the Library's finances. Fund financial statements start on page 21. For governmental activities, these statements tell how these services were financed in the short-term

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Management's Discussion and Analysis

as well as what remains for future spending. Fund financial statements also report the Library's operations in more detail than the government wide statements by providing information about the Library's most significant funds.

REPORTING THE LIBRARY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

Our analysis of the Library as a whole begins on page 8. One of the most important questions asked about the Library's finances is "Is the Library as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Library as a whole and about its activities that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Library's net assets and changes in them. Think of the Library's net assets - the difference between assets and liabilities - as one way to measure the Library's financial health or financial position. Over time, increases or decreases in the Library's net assets are one indicator of whether financial health is improving or deteriorating.

The Library has elected not to include the component unit in these financial statements. The notes to the financial statements contain more information concerning the entity that is considered a component unit of the Library. Financial statements of the component unit can be obtained by contacting the **Hays Public Library** Director.

REPORTING THE LIBRARY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

Analysis of the Library's major funds begins on page 10. The fund financial statements begin on page 21 and provide detailed information about the most significant funds, not the Library as a whole. However, the Library Board established other funds to help or control money for particular purposes or to show that it is meeting legal responsibility for using grants and other monies. The Library uses governmental funds.

The Library's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can regularly be converted to cash. The governmental fund statements provide a short-term view of the Library's general government operations and the services it provides.

Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. We describe the relationship (or differences) between governmental activities (reported in a statement of net assets and the statement of activities) and the governmental funds in reconciliation at the bottom of the fund financial statements.

HAYS PUBLIC LIBRARY
Management's Discussion and Analysis

THE LIBRARY AS A WHOLE

TABLE 1
NET ASSETS

	Governmental Activities and Total Primary Government	
	2012	2011
Current Assets	\$ 2,571,177	2,457,616
Capital Assets	3,543,138	3,666,559
Total Assets	6,114,315	6,124,175
Current Liabilities	1,430,973	1,430,441
Other Liabilities	114,473	137,357
Total Liabilities	1,545,446	1,567,798
Invested in Capital Assets	3,543,137	3,666,559
Reserved	14,968	15,907
Unrestricted	1,010,764	873,911
Total Net Assets	\$ 4,568,869	4,556,377

TABLE 2
STATEMENT OF ACTIVITIES

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities 2012	2011
Primary Government						
Governmental Activities						
General Government	\$ 1,460,288	6,671	15,560	56,572	\$ (1,381,485)	(1,347,906)
General Revenues, Special Items, and Transfers						
					1,352,200	1,330,638
					2,504	3,397
					5,546	2,878
					16,530	18,073
					17,197	19,229
					-	200
					1,393,977	1,374,415
Change in Net Assets					12,492	26,509
Net Assets - Beginning of Year					4,556,377	4,529,868
Net Assets - End of Year					\$ 4,568,869	4,556,377

CAPITAL ASSET ADMINISTRATION

At the end of 2012, the Library had \$3,543,138 invested in capital assets net of depreciation. Significant capital purchases for 2012 included a water pump, a loveseat, sconces, an Apple iPad, a desktop computer, a laptop, a digital film viewer/scanner, books and non-print items totaling \$225,014.

HAYS PUBLIC LIBRARY
Management's Discussion and Analysis

TABLE 3
CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)

	Governmental Activities and Total Primary Government	
	2012	2011
Building	\$ 2,761,236	2,849,978
Equipment	55,161	65,049
Furniture and Fixtures	102,592	122,153
Books and Non Prints	624,149	629,379
Total	\$ 3,543,138	3,666,559

CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the Library's finances. The report is also designed to show the Library's accountability for the money it receives.

Further questions concerning this report or the financial status of the **Hays Public Library** should be directed to the Library Director's office at 1205 Main, Hays, Kansas (785) 625-9014.

Eric Norris
Library Director
Hays Public Library

HAYS PUBLIC LIBRARY
Statement of Net Assets
December 31, 2012
(With Comparative Totals at December 31, 2011)

	Primary Government Governmental Activities	
	2012	2011
<u>ASSETS</u>		
Cash	\$ 1,149,676	1,060,594
Apportionments Receivable		
Net of Allowance for Uncollectibles	1,386,533	1,381,115
Grants Receivable	20,000	-
Restricted Cash - Beach Donation	14,968	15,907
Capital Assets - Net of Depreciation		
Building	2,761,236	2,849,978
Equipment	55,161	65,049
Furniture and Fixtures	102,592	122,153
Books and Non Prints	624,149	629,379
Total Assets	6,114,315	6,124,175
<u>LIABILITIES</u>		
Accounts Payable	37,958	42,529
Accrued Payroll Liabilities	6,482	6,797
Deferred Revenue	1,386,533	1,381,115
Compensated Absences	114,473	137,357
Total Liabilities	1,545,446	1,567,798
<u>NET ASSETS</u>		
Invested in Capital Assets	3,543,138	3,666,559
Reserved for Beach Donation	14,968	15,907
Unrestricted	1,010,763	873,911
Total Net Assets	\$ 4,568,869	4,556,377

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY
Statement of Activities
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities 2012	2011
Primary Government Governmental Activities						
General Government	\$ 1,460,288	6,671	15,560	56,572	\$ (1,381,485)	(1,347,906)
General Revenues, Special Items, and Transfers						
City of Hays, KS Apportionment					1,352,200	1,330,638
Unrestricted Investment Earnings					2,504	3,397
Miscellaneous					5,546	2,878
Fines and Forfeitures					16,530	18,073
Reimbursements					17,197	19,229
Gain on Disposal of Assets					-	200
Total General Revenues, Special Items, and Transfers					1,393,977	1,374,415
Change in Net Assets					12,492	26,509
Net Assets - Beginning of Year					4,556,377	4,529,868
Net Assets - End of Year					\$ 4,568,869	4,556,377

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY
Balance Sheet
Governmental Funds
December 31, 2012
(With Comparative Totals at December 31, 2011)

					Total Governmental Funds	
	General Fund	Library Employee Benefit Fund	Capital Improvement Fund	Other Governmental Funds	2012	2011
<u>ASSETS</u>						
Cash	\$ 398,540	71,176	649,631	30,329	1,149,676	1,060,594
Apportionments Receivable - Net	1,210,787	175,746	-	-	1,386,533	1,381,115
Grants Receivable	-	-	-	20,000	20,000	-
Reserved Cash	14,968	-	-	-	14,968	15,907
Total Assets	\$ 1,624,295	246,922	649,631	50,329	2,571,177	2,457,616
<u>LIABILITIES AND FUND BALANCE</u>						
Liabilities						
Accounts Payable	\$ 37,958	-	-	-	37,958	42,529
Accrued Payroll Liabilities	-	6,482	-	-	6,482	6,797
Deferred Revenues	1,210,787	175,746	-	-	1,386,533	1,381,115
Total Liabilities	1,248,745	182,228	-	-	1,430,973	1,430,441
Fund Balance						
Assigned	14,968	64,694	649,631	50,329	779,622	677,032
Unassigned	360,582	-	-	-	360,582	350,143
Total Fund Balance	375,550	64,694	649,631	50,329	1,140,204	1,027,175
Total Liabilities and Fund Balance	\$ 1,624,295	246,922	649,631	50,329	2,571,177	2,457,616

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
December 31, 2012

Amounts reported for governmental activities in the Statement of Net Assets differ from the fund balances of Governmental Funds on the preceding balance sheet as shown in the following reconciliation:

Fund Balances of Governmental Funds from the Balance Sheet.	\$ 1,140,204
Capital assets, net of depreciation, have not been included as financial resources in Governmental Fund activity on the Balance Sheet.	3,543,138
Compensated absences have not been included in the Governmental Fund activity on the Balance Sheet.	<u>(114,473)</u>
Net Assets of Governmental Activities as reported on the Statement of Net Assets (Statement 1).	\$ <u>4,568,869</u>

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	General Fund	Library Employee Benefit Fund	Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds	
					2012	2011
Revenues						
Intergovernmental	\$ 1,186,000	166,200	-	56,572	1,408,772	1,375,681
FHSU Workstudy	17,197	-	-	-	17,197	19,229
Fines and Forfeitures	16,530	-	-	-	16,530	18,073
Charges for Services	6,671	-	-	-	6,671	6,228
Grants	12,019	-	-	-	12,019	8,928
Donations	3,541	-	-	-	3,541	81,883
Miscellaneous	5,546	-	-	-	5,546	2,878
Interest on Income	2,504	-	-	-	2,504	3,397
Gain on Disposal of Assets	-	-	-	-	-	200
Total Revenues	1,250,008	166,200	-	56,572	1,472,780	1,516,497
Expenditures						
General Government	943,134	156,699	-	-	1,099,833	1,100,685
Capital Outlay	205,574	-	11,023	43,321	259,918	283,814
Total Expenditures	1,148,708	156,699	11,023	43,321	1,359,751	1,384,499
Excess (Deficiency) of Revenues Over Expenditures	101,300	9,501	(11,023)	13,251	113,029	131,998
Other Financing Sources (Uses)						
Transfers In	-	-	91,800	-	91,800	104,950
Transfers Out	(91,800)	-	-	-	(91,800)	(104,950)
Total Other Financing Sources (Uses)	(91,800)	-	91,800	-	-	-
Net Change in Fund Balances	9,500	9,501	80,777	13,251	113,029	131,998
Fund Balance - Beginning of Year	366,050	55,193	568,854	37,078	1,027,175	895,177
Fund Balance - End of Year	\$ 375,550	64,694	649,631	50,329	1,140,204	1,027,175

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2012

Net Changes in Fund Balances - Total Governmental Funds (Statement 4).	\$ 113,029
Amounts reported for Governmental Activities in the Statement of Activities (Statement 2) are different because:	
Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$348,435) exceeded capital outlays (\$225,014) in the current period.	(123,421)
Compensated absences decreased from the prior year. These balances are not accounted for in the General Governmental Funds; however, the changes are reflected in the Statement of Activities.	<u>22,884</u>
Change in Net Assets of Governmental Activities (Statement 2).	\$ <u><u>12,492</u></u>

The notes to the financial statements are an integral part of these statements.

HAYS PUBLIC LIBRARY
Notes to Financial Statements
December 31, 2012

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of **Hays Public Library**, relating to the funds included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments (GASB 34 Edition), and by the Financial Accounting Standards Board, when applicable. The following is a summary of such significant policies.

Reporting Entity

The Library is organized under Kansas statutes in the City of Hays, Kansas, for the purpose of operating a public library for the residents of the City of Hays. A board consisting of seven members is appointed by the Hays City Commissioners. The Board elects an executive board and adopts rules and regulations for the administration of the Library as it deems necessary. The Library receives funding from local and state governmental sources and must comply with the requirements of these funding sources.

The Library is a component unit of the City of Hays, Kansas. The Library is controlled by or dependent on the City. Control or dependence is determined on the basis of budget adoption, taxing authority, funding and appointment of the respective governing board. These financial statements include only the funds of the Library.

The Library is a primary government as defined in GASB #14 and further amended by GASB #39. The Library Board has the authority to make decisions, influence operations, and has the primary accountability in fiscal matters. The following is the component unit of the Library. The Library exercises significant influence or accountability based primarily on operational or financial relationships with the Library (as distinct from legal relationships).

The Library has the following component unit that has not been audited and is excluded from the financial reporting entity:

Hays Public Library Trust

The Hays Public Library Trust provides support in order to facilitate the goals and needs of the Library and to promote Library services. Contact the Library Director, Eric Norris, for information on how to obtain a copy of the financial statements.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. The estimates and assumptions affect certain reported amounts and disclosures that can affect these financial statements. Actual results could differ from these estimates.

Government-wide and Fund Financial Statements

The government-wide financial statements, the statement of net assets, and the statement of activities report financial information for the Library as a whole. Individual funds are not displayed, but the statements distinguish governmental activities, generally supported by taxes, grants, and the Library's general revenues.

The Statement of Activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment.

HAYS PUBLIC LIBRARY
Notes to Financial Statements
December 31, 2012

Program revenues include charges for services which report fees, fines, and other charges to users of the Library's services, operating grants and contributions which finance annual operating activities including investment income, and capital grants which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the statement of net assets. The operating statements present increases and decreases in net total assets. Under the accrual basis of accounting, revenues are recorded when earned, and expenses are recorded when a liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for un-matured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

The Library reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the Library before it has legal claim to them, as when grant monies are received prior to incurring a qualifying expenditure. In subsequent periods, when both revenue recognition criteria are met, or when the Library has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts, recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Library reports the following major governmental funds:

Governmental Fund Categories

General Fund – to account for and report all financial resources not accounted for and reported in another fund.

Capital Improvement Fund – to account for financial resources to be used for improving, furnishing, equipping, remodeling, or making additions to the Library.

The Library reports the following non-major governmental fund:

Special Revenue Funds – to account for the proceeds of specific revenue sources that are legally restricted to expenditure for a specified purpose.

HAYS PUBLIC LIBRARY
Notes to Financial Statements
December 31, 2012

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Budgetary Information

The Library is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. The internal budget is the source of the budget amounts listed on Statement 5.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

Inventories and Prepaid Items

In both government-wide and fund financial statements, payments made to vendors for goods or services that will benefit periods beyond the current year are recorded as inventory or prepaid items when they are deemed material and it is considered appropriate.

Accounting for Capital Assets and Depreciation

Capital assets, which include property and equipment, are reported in the governmental column of the government-wide financial statements. Capital assets are defined by the Library as assets or a group of assets with an initial, individual cost of \$500 or more and an estimated useful life in excess of three years. These assets are valued at historical cost, estimated historical cost if actual cost is not available, or estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Building	40 years
Equipment	6 years
Furniture and Fixtures	10 years
Books and Nonprints	7 years

Capital asset activity for the year ended December 31, 2012 was as follows:

HAYS PUBLIC LIBRARY
Notes to Financial Statements
December 31, 2012

	Beginning Balances	Increases	Decreases	Ending Balances
Depreciable Capital Assets				
Building	\$ 3,979,429	-	-	3,979,429
Equipment	313,753	11,033	-	324,786
Furniture and Fixtures	372,399	14,421	-	386,820
Books and Nonprints	3,109,581	199,560	(80,963)	3,228,178
Total Depreciable Capital Assets	7,775,162	225,014	(80,963)	7,919,213
Accumulated Depreciation	(4,108,603)	(348,435)	80,963	(4,376,075)
Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 3,666,559	(123,421)	-	3,543,138

Deposits and Investments

The Library follows the practice of pooling cash and investments of all funds. Each fund's portion of total cash and investments is summarized by fund category in the combined balance sheet.

K.S.A. 9-1401 establishes the depositories which may be used by the Library. The statute requires banks eligible to hold the Library's funds have a main or branch bank in the county in which the Library is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Library has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Library's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Library has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the Library may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. State statutes require the Library's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Library does not use "peak periods". All deposits were legally secured at December 31, 2012.

At December 31, 2012, the Library's carrying amount of deposits was \$1,164,644, and the bank balance was \$1,166,838. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$391,423 was covered by federal depository insurance and \$775,415 was collateralized with securities held by the pledging financial institutions' agents in the Library's name.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an

HAYS PUBLIC LIBRARY
Notes to Financial Statements
December 31, 2012

outside party. State statutes require investments to be adequately secured. The Library had no investments at December 31, 2012.

Compensated Absences

Vacation

No vacation time is accumulated during the first six months of employment. At the end of the six month period, full-time employees will be given one day of vacation per month through December 31 of that year. Total vacation earned by an employee shall not exceed 20 working days per year. Employees are allowed to carry over no more than one year's accumulated vacation to the next year. Upon termination of employment, all vacation is forfeited.

Sick Leave

A full-time employee is allowed one day sick leave per month. There is no limit to the amount of sick leave that can be earned. However, upon termination of employment, all sick leave is forfeited.

Comp Time

Employee hours worked beyond the normal 40 hours per week may be taken off in a timely fashion, with the approval of the employee's supervisor, in the form of compensatory time. Upon termination of employment, all compensatory time is forfeited.

The liability for vacation, compensatory time, and sick leave applicable to the governmental activities at December 31, 2012 has been recorded in the statement of net assets in the amount of \$114,473.

Defined Benefit Pension Plan

Plan Description

The Library participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Other Post Employment Benefits

As provided by K.S.A. 12-5040, the Library allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Library is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

HAYS PUBLIC LIBRARY
Notes to Financial Statements
December 31, 2012

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Library makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Property Tax Calendar and Apportionments Receivable

Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year, such procedure being in conformity with governing state statutes. Property taxes are collected and remitted to the County Treasurer. Taxes levied annually on November 1st are due one-half by December 20th and one-half by May 10th. Taxes are recognized as revenue in the year received. Delinquent tax payments are recognized as revenue in the year received. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operations of the Library; and therefore, are not susceptible to accrual. Accruals of uncollected current year property taxes are offset by deferred revenues.

Restricted Assets

Restricted cash balances are reported in various funds that are legally restricted for specified uses.

Fund Balance

The Library has, by Board action, established reserves to be used for assigned purposes. When an expense is incurred for which both assigned and unassigned net assets are available, it is the Library's policy to utilize unassigned net assets.

The assigned fund balance in the special revenue funds have been established for the following purposes:

Library Employee Benefit Fund	Employee Benefits
State Aid Fund	State Aid Grant
Central Kansas Library Service Fund	System Grant
Interlibrary Loan Development Program Fund	Resource ILDP Grant
Central Kansas Library Service Computer Grant Fund	Data Processing Grant
Capital Improvement Fund	Capital Improvements

Reimbursements

The Library records reimbursable expenditures (or expenses) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparison, the expenditures (or expenses) are properly offset by the reimbursements.

NOTE 2 – INTERFUND TRANSFERS

Interfund transfers within the reporting entity are substantially for the purpose of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis as authorized by Kansas statutes. The Library's operating transfers and statutory authority for the year ended December 31, 2012 were as follows:

From	To	Statutory Authority	Amount
General Fund	Capital Improvement Fund	12-1258	\$ 91,800

NOTE 3 – LITIGATION

Hays Public Library is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a material adverse impact on the affected funds of the Library.

HAYS PUBLIC LIBRARY
Notes to Financial Statements
December 31, 2012

NOTE 4 – RISK MANAGEMENT

Hays Public Library carries commercial insurance for risks of loss, including property, general liability, employee dishonesty, crime, and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 5 – GRANTS AND SHARED REVENUES

Hays Public Library participates in numerous state grant programs, which are governed by various rules and regulations for the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Library has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Library, any liability for reimbursement, which may arise as the result of the audit, is not believed to be material.

NOTE 6 – COMPARATIVE DATA

Comparative data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of the changes in **Hays Public Library's** financial position and operations. The comparative totals appear in the government-wide financial statements, fund financial statements, and the accompanying supplemental financial statements. However, complete comparative data has not been presented in all the financial statements since their inclusion would make the statement unduly complex and difficult to read.

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 09, 2013, which is the date the financial statements were available to be issued.

HAYS PUBLIC LIBRARY

Required Supplementary Information

HAYS PUBLIC LIBRARY
General Fund
Balance Sheets
December 31, 2012 and 2011

<u>ASSETS</u>		
	<u>2012</u>	<u>2011</u>
Cash	\$ 398,540	392,672
Receivables		
Apportionments Receivable	1,210,787	1,211,529
Other Asset		
Reserved Cash - Beach Donation	14,968	15,907
Total Assets	<u>\$ 1,624,295</u>	<u>1,620,108</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 37,958	42,529
Deferred Revenues	1,210,787	1,211,529
Total Liabilities	<u>1,248,745</u>	<u>1,254,058</u>
Fund Balance		
Assigned	14,968	15,907
Unassigned	360,582	350,143
Total Fund Balance	<u>375,550</u>	<u>366,050</u>
Total Liabilities and Fund Balance	<u>\$ 1,624,295</u>	<u>1,620,108</u>

See independent auditors' report.

HAYS PUBLIC LIBRARY**General Fund****Summary Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	2012		Variance Positive (Negative)	2011 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental	\$ 1,210,787	1,186,000	(24,787)	1,178,738
FHSU Workstudy	-	17,197	17,197	19,229
Fines and Forfeitures	11,213	16,530	5,317	18,073
Charges for Services	-	6,671	6,671	6,228
Grants	-	12,019	12,019	8,928
Donations	-	3,541	3,541	81,883
Miscellaneous	-	5,546	5,546	2,878
Interest on Income	3,000	2,504	(496)	3,397
Gain on Disposal of Assets	-	-	-	200
Total Revenues	1,225,000	1,250,008	25,008	1,319,554
Expenditures				
Salaries	745,000	709,270	35,730	676,610
Legal and Professional	6,000	6,290	(290)	6,090
Continuing Education	27,000	22,378	4,622	24,271
Youth Services Grant	1,000	10,590	(9,590)	-
Program Expenditures	20,000	-	20,000	19,096
Bequests	-	938	(938)	71,020
Binding	-	19,949	(19,949)	-
Insurance	12,000	11,070	930	9,328
Library Promotion	3,000	3,296	(296)	2,622
Supplies	29,000	15,232	13,768	17,686
Maintenance and Repair	38,000	37,184	816	44,856
Databases	15,000	17,868	(2,868)	-
Periodicals	11,000	11,458	(458)	10,892
Telephone	4,000	2,899	1,101	3,011
Utilities	74,000	68,141	5,859	63,032
Postage	20,000	6,874	13,126	5,344
Refunds	1,000	(303)	1,303	(1,019)
Capital Outlay	219,000	205,574	13,426	237,418
(a) Adjustment for Qualifying Budget Credits	15,560	-	15,560	-
Total Expenditures	1,240,560	1,148,708	91,852	1,190,257

See independent auditors' report.

**HAYS PUBLIC LIBRARY
General Fund**

Summary Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	2012		Variance Positive (Negative)	2011 Actual
	Original and Final Budget	Actual		
Excess (Deficiency) of Revenues Over Expenditures	\$ (15,560)	101,300	116,860	129,297
Other Financing Sources (Uses)				
Transfers Out	-	(91,800)	(91,800)	(104,950)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	(15,560)	9,500	25,060	24,347
Fund Balance - Beginning of Year	366,050	366,050	-	341,703
Fund Balance - End of Year	\$ <u>350,490</u>	<u>375,550</u>	<u>25,060</u>	<u>366,050</u>
(a) Adjustment for Qualifying Budget Credits				
Grants Over Amount Budgeted			\$ 12,019	
Donations Over Amount Budgeted			<u>3,541</u>	
Total			<u>\$ 15,560</u>	

See independent auditors' report.

HAYS PUBLIC LIBRARY
Library Employee Benefit Fund
Balance Sheets
December 31, 2012 and 2011

<u>ASSETS</u>		
	<u>2012</u>	<u>2011</u>
Cash	\$ 71,176	61,990
Receivables		
Apportionments Receivable	<u>175,746</u>	<u>169,586</u>
Total Assets	<u>\$ 246,922</u>	<u>231,576</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accrued Payroll Liabilities	\$ 6,482	6,797
Deferred Revenues	<u>175,746</u>	<u>169,586</u>
Total Liabilities	182,228	176,383
Fund Balance		
Assigned	<u>64,694</u>	<u>55,193</u>
Total Liabilities and Fund Balance	<u>\$ 246,922</u>	<u>231,576</u>

See independent auditors' report.

HAYS PUBLIC LIBRARY
Library Employee Benefit Fund

Summary Statements of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended December 31, 2012

(With Comparative Totals for the Year Ended December 31, 2011)

	2012		Variance Positive (Negative)	2011 Actual
	Original and Final Budget	Actual		
Revenues				
Intergovernmental	\$ 166,200	166,200	-	151,900
Expenditures				
KPERS	55,000	48,856	6,144	43,841
Social Security	57,000	54,259	2,741	51,761
Unemployment Taxes	1,900	680	1,220	676
Workmen's Compensation	4,300	3,881	419	3,613
Health Insurance	48,000	49,023	(1,023)	47,955
Total Expenditures	166,200	156,699	9,501	147,846
Excess of Revenues Over (Under) Expenditures	-	9,501	9,501	4,054
Fund Balance - Beginning of Year	-	55,193	55,193	51,139
Fund Balance - End of Year	\$ -	64,694	64,694	55,193

See independent auditors' report.

HAYS PUBLIC LIBRARY
State Aid Fund
Balance Sheets
December 31, 2012 and 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
Cash	\$ <u>-</u>	<u>-</u>
	<u>FUND BALANCE</u>	
Fund Balance		
Assigned	\$ <u>-</u>	<u>-</u>

State Aid Fund
Summary Statements of Revenues, Expenditures and Changes in Fund Balance - Actual
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
Revenues		
Intergovernmental	\$ 8,735	10,006
Expenditures		
Capital Outlay	<u>8,735</u>	<u>10,006</u>
Excess of Revenues Over (Under) Expenditures	-	-
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>
Fund Balance - End of Year	\$ <u>-</u>	<u>-</u>

See independent auditors' report.

HAYS PUBLIC LIBRARY
Central Kansas Library Service Fund
Balance Sheets
December 31, 2012 and 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
Cash	\$ <u>28,667</u>	<u>28,667</u>
	<u>FUND BALANCE</u>	
Fund Balance Assigned	\$ <u>28,667</u>	<u>28,667</u>

Central Kansas Library Service Fund
Summary Statements of Revenues, Expenditures and Changes in Fund Balance - Actual
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
Revenues		
Intergovernmental	\$ 17,837	17,537
Expenditures		
Capital Outlay	<u>17,837</u>	<u>17,337</u>
Excess of Revenues Over (Under) Expenditures	-	200
Fund Balance - Beginning of Year	<u>28,667</u>	<u>28,467</u>
Fund Balance - End of Year	\$ <u>28,667</u>	<u>28,667</u>

See independent auditors' report.

HAYS PUBLIC LIBRARY
 Central Kansas Library Service Computer Grant Fund
 Balance Sheets
 December 31, 2012 and 2011

	<u>ASSETS</u>	
	<u>2012</u>	<u>2011</u>
Cash	\$ 1,662	8,411
Receivables		
Grants Receivable	<u>20,000</u>	<u>-</u>
Total Assets	\$ <u>21,662</u>	<u>8,411</u>
 <u>FUND BALANCE</u>		
Fund Balance		
Assigned	\$ <u>21,662</u>	<u>8,411</u>

Central Kansas Library Service Computer Grant Fund
 Summary Statements of Revenues, Expenditures and Changes in Fund Balance - Actual
 For the Year Ended December 31, 2012
 (With Comparative Totals for the Year Ended December 31, 2011)

	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
Revenues		
Intergovernmental	\$ 30,000	17,500
Expenditures		
Capital Outlay	<u>16,749</u>	<u>19,053</u>
Excess of Revenues Over (Under) Expenditures	13,251	(1,553)
Fund Balance - Beginning of Year	<u>8,411</u>	<u>9,964</u>
Fund Balance - End of Year	\$ <u>21,662</u>	<u>8,411</u>

See independent auditors' report.

HAYS PUBLIC LIBRARY
Capital Improvement Fund
Balance Sheets
December 31, 2012 and 2011

<u>ASSETS</u>		
	<u>2012</u>	<u>2011</u>
Cash	\$ <u>649,631</u>	<u>568,854</u>
 <u>FUND BALANCE</u>		
Fund Balance Assigned	\$ <u>649,631</u>	<u>568,854</u>

Capital Improvement Fund
Summary Statements of Revenues, Expenditures and Changes in Fund Balance - Actual
For the Year Ended December 31, 2012
(With Comparative Totals for the Year Ended December 31, 2011)

	<u>Current Year Actual</u>	<u>Prior Year Actual</u>
Expenditures		
Capital Outlay	\$ <u>11,023</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,023)	-
Other Financing Sources (Uses)		
Transfers In	<u>91,800</u>	<u>104,950</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other (Uses)	80,777	104,950
Fund Balance - Beginning of Year	<u>568,854</u>	<u>463,904</u>
Fund Balance - End of Year	\$ <u>649,631</u>	<u>568,854</u>

See independent auditors' report.